From: Rod Taylor [Rod@bfcu.org]
Sent: Monday, April 06, 2009 11:43 AM
To: _Regulatory Comments
Subject: Corporate Stabilization Program - ANPR

April 1, 2009

Mary Rupp
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314

RE: ANPR for Corporate Credit Union Stabilization Plan

Dear Ms. Rupp:

It is our feeling that the Corporate CU System in its present structure had served it client natural person credit unions well until its recent concentration into the sub-prime CDO market and its reliance on modeling that did not take into account the extent of our economy's shift once the housing bubble burst. The fact that the corporate system did nothing different that most of the financial industry in the build up to this crisis only means that it went over the cliff with everyone else.
That being said, before these unpleasantries, the corporate system had offered a variety of state-of-the-art, value-added services to the credit union movement and had successfully shifted various risks from many small natural person credit unions that would have had more difficulty managing these risks due to both cost and in-house expertise.
Therefore, except for investment concentration issues, it is our belief that leaving the overall structure of the corporate system intact and allowing it to evolve to a "next-generation" organization through sound business practices is the preferred solution as opposed to the system being dismantled and reinvented from the outside.

Liquidity and Payment System Issues:
Our credit union uses the corporate as our primary liquidity management tool and use its payment system exclusively. We consider these activities to be important elements of the corporate system and believe these two services should continue to be core corporate offerings.
Separating out or creating a corporate with just the payment system and related activities would probably not work due to competitive pricing outside the corporate network; i.e., economies of scales would require them to price these services at an unattractive level. We are also not sure what kind of firewalls could be put in place that would keep a corporate's financial competitiveness intact.

Capital Structure:
As one of the natural person credit unions who lost capital with the recent conservatorship of WesCorp and US Central, the idea of extending more capital to any corporate in this environment is extremely sensitive. It is our belief that the lesson learned by the natural person credit unions is to hold the corporates to higher standards than they have done so previously (especially in the area of investment concentration) and, that lesson being learned and if things settle down, credit unions will again feel comfortable helping to capitalize their corporates. Therefore, we believe that maintaining membership capital should continue to be optional (offering services to non-

member credit unions at a higher price) and that a maximum cap for membership capital requirement would attract more membership capital over time.

As for what is an adequately capitalized corporate, that does need immediate reconsideration based on this present situation. Most natural person credit unions did not understand that their capital is what supported the highly leveraged capital structure of the corporate system until it was too late.

Investment Authority:
This is the one area that we would welcome more oversight. This is a lot like closing the barn door after the cows have left and the barn's burned down; however, concentration and risk limits obviously need to be readdressed. The NCUA should keep in mind, however, that lowering risk tolerance to the corporates and the resulting lowering of margins could cause more credit union's to venture out to more risky investment alternatives themselves. Balance is obviously a requirement in this area and overkill could cause more problems than solutions.

Governance:
It is our opinion that governance should continue to determined by the member credit unions of any corporate; i.e., representation by democratic election of the member credit unions. We believe there should be no additional requirements and each corporate and its member credit unions should decide its own governance.

Overall, the corporate system has been an integral part of this movement's success over the past decade. It is a shame, albeit understandable, that the highest concentration of investment risk resided within this system. We believe that given the opportunity, the corporate system will come out on the other side of this crisis a viable and value-added element of the credit union movement. We thank you for the opportunity to express our ideas and concerns.

Sincerely,

Rod Taylor, President/CEO
Virgil Barnette, Chairman of the Board
Barksdale Federal Credit Union
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